

FISCAL NOTE
SB 758 - HB 2058

March 4, 2004

SUMMARY OF BILL: Provides for a 1% rate decrease each year in the state sales and use tax on food or food ingredients. The decrease would begin in FY03-04 and continue through FY08-09 when the tax would be phased out in its entirety.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - FY04 Not Applicable

FY05 \$140,972,000 (4% rate)

FY06 \$218,718,000 (3% rate)

FY07 \$303,845,000 (2% rate)

FY08 \$395,727,000 (1% rate)

FY09 \$493,586,000 (0% rate)

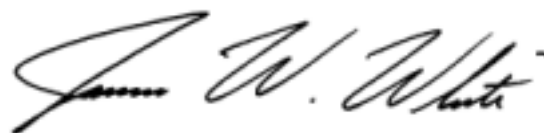
Increase State Expenditures - \$57,220 One-Time

Estimate assumes:

- Since FY03-04 is almost complete, rate decreases would begin in FY04-05, despite the provision in the bill to reduce the sales tax rate on food by 1% in FY03-04. It is further assumed that the tax rate in FY04-05 would be 4% as specified in the bill, resulting in a 2% rather than 1% decline in the first year of enactment.
- A base amount of food tax revenue of \$410,736,000 in FY02-03
- The 2.3% average CPI for food over the last 10 years holds constant through FY08-09.
- An elasticity for food sales in Tennessee of .46 (source: UT Center for Business and Economic Research).
- Local governments will still be able to tax food sales after the FY08-09 elimination of the food tax.
- The one-time increase in state expenditures is for the Department of Revenue to notify taxpayers of the rate change.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director